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Report of the Ad Hoc Advisory Group on Guinea-Bissau**

Summary

Guinea-Bissau is a country still emerging from conflict. Ironically, about three years ago, when the country first emerged from conflict and received post-conflict assistance from donors, including the Bretton Woods institutions, it was among the countries that benefited from the enhanced heavily-indebted poor countries (HIPC) initiative. Today, however, the economic, social and political situation in the country suggests that it may be slowly sliding back into conflict, despite the fact that all interlocutors interviewed by the Ad Hoc Advisory Group on Guinea-Bissau said that they were tired of violence and preferred peace.

The Ad Hoc Advisory Group on Guinea-Bissau mandated by the Economic and Social Council to prepare recommendations for a long-term programme of support for the country. During its visit, however, it became clear to the Group that the country was facing many short-term challenges that needed immediate consideration. The initial conclusion of the Group was that addressing the short-term needs of Guinea-Bissau would have an impact on the long-term development plans for that country. Furthermore, it became clear that the mandate of future ad hoc advisory groups would need to be crafted in such a way as to address the unique and particular needs of each country.

The composition of the Ad Hoc Advisory Group on Guinea-Bissau and its method of work proved to be extremely important. It was useful that the Group included representatives of diverse African countries, including countries which have a special and historical relationship with, and those that are among the traditional

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donors to, Guinea-Bissau. The Ad Hoc Advisory Group worked closely with the Chair of the Ad Hoc Working Group of the Security Council on Conflict Prevention and Resolution in Africa, an approach that allowed for the simultaneous evaluation of the social, economic and security issues and proved to be the most effective way of dealing comprehensively and coherently with the situation in the country. The close working relationship between the Economic and Social Council and the Security Council was crucial in bringing about this productive collaboration.

Among the preliminary conclusions reached by the Advisory Group was that the Economic and Social Council should consider engaging donor countries and the rest of the United Nations system, including the Bretton Woods institutions, in an attempt to urgently find creative and innovative ways to respond to the situation in Guinea-Bissau in order to prevent it from relapsing into conflict. This may take the form of a compact whereby social and economic issues are addressed simultaneously with political and security issues.

Beyond the situation in Guinea-Bissau, there is a need for the international community to develop a predictable and coherent manner of responding to countries emerging from conflict. The challenge is to find ways to assist countries that no longer need peacekeeping support but are not yet ready to receive regular donor assistance, with all the requirements associated with such help.

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I. Introduction

1. On 15 July 2002, at its substantive session, the Economic and Social Council, adopted resolution 2002/1, by which it decided to create a framework for advisory group(s) on African countries emerging from conflict. The advisory group(s), which are expected to be small, flexible and geographically representative, are mandated to: examine the humanitarian and economic needs of countries concerned; review relevant programmes of support and prepare recommendations for long-term programmes of support, based on development priorities, through the integration of relief, rehabilitation, reconstruction and development into a comprehensive approach to peace and stability; and provide advice on how to ensure that the assistance of the international community in supporting the countries concerned is adequate, coherent, well-coordinated and effective and promote synergy.

2. By its decision 2002/304 of 25 October 2002, the Economic and Social Council created an Ad Hoc Advisory Group on Guinea-Bissau. The Group was composed as follows: Ambassador Dumisani Kumalo (South Africa), Chairman of the Group, Ambassador Luźeria dos Santos Jaló, (Guinea-Bissau), Ambassador Gonçalo Aires de Santa Clara Gomes (Portugal), Ambassador Dirk van den Berg (the Netherlands), and Ambassador Gelson Fonseca Jr. (Brazil). The Group was also required to invite Ambassador Jagdish Koonjul (Mauritius), Chairman of the Ad Hoc Working Group of the Security Council on Conflict Prevention and Resolution in Africa, Ambassador Crispin Grey-Johnson (Gambia), Chairman of the Group of Friends of Guinea-Bissau, and Ambassador Ivan Šimonović (Croatia), President of the Economic and Social Council, to participate in the work of the Group, which they did. At some of the meetings of the Advisory Group, Ambassador van den Berg was represented by Arjan Hamburger, Minister Plenipotentiary, Permanent Mission of the Netherlands, and Ambassador Gelson Fonseca Jr. by Maria Luiza Ribeiro Viotti, Minister Plenipotentiary, Permanent Mission of Brazil.[1]

3. At the first meeting of the Group, on 29 October 2002, the decision was taken to visit Guinea-Bissau to consult with all stakeholders and actors on the way forward for Guinea-Bissau regarding the country's short-term crisis and long-term development. In order to take advantage of the presence of a number of important stakeholders who were expected to be present for the 11 November tripartite consultations organized by the United Nations, including representatives of the Bretton Woods institutions and the donor community, it was decided to schedule the visit to the country from 9 to 16 November 2002.

4. In preparation for the visit to Guinea-Bissau, the Advisory Group consulted with a number of key stakeholders to discuss the challenges facing the country and the ways in which bilateral donors and others could help. This group included officials from the Government of Guinea-Bissau, permanent representatives from the subregion, officials from the Department of Political Affairs, including the Representative of the Secretary-General to Guinea-Bissau via video-link, the United Nations Development Programme (UNDP), the International Monetary Fund (IMF) and the World Bank Liaison Office in New York, a number of nationals of Guinea-Bissau residing in New York, the "Group of Friends of Guinea-Bissau"[2] and representatives of some donor countries.[3] The Group also paid a courtesy call on the Secretary-General to brief him on the mandate and work of the Group prior to its mission to Guinea-Bissau.

5. The Advisory Group visited Guinea-Bissau from 9 to 16 November 2002. The Group was hosted by the United Nations Resident Coordinator and the Representative of the Secretary-General and Director of the United Nations Peace-building Support Office in Guinea-Bissau (UNOGBIS). The Group met and had frank and open discussions in line with its terms of reference with a wide range of actors in Guinea-Bissau, including: the President of the Republic, the Prime Minister, the Minister for Foreign Affairs, the Ministers of Economy and Finance and Public Administration and Works, the State Secretary for Social Solidarity and Employment, the President of the National Assembly, representatives of the main political parties, the Chief of the Armed Forces, representatives of religious groups, trade unions, human rights organizations, women's and youth associations, the media, the private sector, the diplomatic community in Guinea-Bissau, including that based in Dakar, the Bretton Woods institutions, UNOGBIS, including human rights, military and information officers, the United Nations country team, including the visiting mission from the Bureau for Crisis Prevention and Recovery of UNDP, and others (see annex I). The Group also visited Gabu, one of the main towns in the interior of the country, for a first-hand look at two integrated projects being implemented by the United Nations system.

6. One of the highlights of the Group's visit to Guinea-Bissau was its participation in the tripartite consultations between the Government of Guinea-Bissau, the United Nations system and the donor community (later known as the quadripartite consultations, with the inclusion of the Advisory Group) organized by the United Nations on 11 November 2002. The main objective of the meeting was to encourage dialogue among the Government and its key partners on the way forward for the country in the context of the suspension of the IMF's Poverty Reduction and Growth Facility and a significant reduction in donor assistance.

7. Subsequent to the quadripartite consultations, the Group was requested by President Kumba Yalá to come up with ideas on how to restore the confidence of the international community in Guinea-Bissau. In response to this request, and after consultations with some of his advisers, the Minister for Foreign Affairs and the Ministers of Economy and Finance, a discussion document was drafted and transmitted to the President. The document provided an outline of a possible compact between the Government of Guinea-Bissau and the donor community, pointing to the responsibilities of the Government and those of the international community, as well as a mechanism for coordination at the strategic and operational levels to ensure the transparent management of any resources that may result from such a compact (see annex II).

8. On return from Guinea-Bissau, the Advisory Group gave an account of its impressions and continued its consultations with key stakeholders. The Group met with Mr. Kieran Prendergast, Under-Secretary-General of the Department of Political Affairs, on 22 November 2002, and with Mr. Mark Malloch Brown, Administrator of UNDP, on 3 December 2002. Possible support for Parliamentary elections, which were called for after President Kumba Yalá dissolved Parliament on 15 November 2002, was discussed at both meetings. The Advisory Group visited Washington D.C. on 4 December 2002 to consult with the Bretton Woods institutions[4] on developments in Guinea-Bissau since their missions to the country and to ascertain the extent to which those institutions would use innovative and flexible approaches to assisting post-conflict countries, in particular Guinea-Bissau, as a test case for this group of countries. At the invitation of Ambassador Crispin

Grey-Johnson, Chairman of the "Group of Friends of Guinea-Bissau", the Chairman of the Advisory Group, Ambassador Dumisani Kumalo, provided a briefing on the Group's visits to Guinea-Bissau and Washington D.C.

9. The Advisory Group wishes to express its deep gratitude for the support it received from the Government of Guinea-Bissau, the Representative of the Secretary-General, UNOGBIS, the United Nations Resident Coordinator and the United Nations country team as well as from officials of the Department for Political Affairs, UNDP in New York, in particular the Regional Bureau for Africa and the Bureau for Crisis Prevention and Recovery, the World Bank and IMF. The Advisory Group also wishes to thank the Department for Economic and Social Affairs for its untiring support in facilitating its work.

II. Background

10. Guinea-Bissau is a small country (36,135 square kilometres) in West Africa, with a population of around 1.2 million inhabitants. It is bordered by Senegal to the north, Guinea-Conakry to the south and east and the Atlantic Ocean to the west. The country fought a protracted war of liberation, which resulted in the dislocation of one fifth of its population and the destruction of an important part of its economic infrastructure. Its independence was officially recognized in September 1974; in 1981 Guinea-Bissau joined the ranks of the least developed countries. After a period of political and economic instability, an internal armed conflict broke out in 1998, which lasted for 11 months. The conflict resulted in further destruction of human, social, public and private capital and a deepening of the country's endemic poverty. According to the most recent poverty assessment, 88 per cent of the population lives on less than $1 per day.[5]

11. According to the UNDP human development index for 2002, Guinea-Bissau ranks 167 out of 173 countries. With some exceptions, its socio-economic indicators are generally below those of sub-Saharan African countries, and of least developed countries as a whole. Life expectancy at birth is 44.8 years, compared to 48.7 for sub-Saharan Africa and 51.9 for least developed countries; adult literacy is 38.5 per cent compared to 61.5 per cent for sub-Saharan Africa and 52.8 per cent for least developed countries; combined primary, secondary and tertiary gross enrolment ratio is 31 per cent compared to 42 per cent for sub-Saharan Africa and 38 per cent for least developed countries; the percentage of population using improved water resources is 49 per cent compared to 54 per cent for sub-Saharan Africa and 63 per cent for least developed countries, although in the capital only 13 per cent of the population have access; and the infant mortality rate is 130 per 1,000 compared to 92 per 1,000 for sub-Saharan Africa. The prevalent rate of HIV is 8 to 10 per cent among adults.[6] The situation of women is particularly critical, as witnessed by their illiteracy rate of 85 per cent compared to 56 per cent for men; the gender gap in school enrolment of 78.6 per cent for males compared to 45.3 per cent for females at the primary level and 9 per cent for males and 4.4 per cent for females at the secondary level; and a maternal mortality rate of 90 per 1,000. Overall, these indicators highlight the fragile nature of the country's human resource base, posing major problems for the reconstruction effort.

12. After an initial spurt of growth resulting from the restart of the economy following the civil war,[7] the country has suffered a substantial decline in economic

activities and is essentially in crisis. In 2001, gross domestic product (GDP) grew by only 0.2 per cent and is estimated by IMF to have declined even further, to 4.2 per cent, in 2002 as a result of the combination of a sharp drop both in the production of and international market price for cashew nuts and the sizeable loss of official development assistance arising from the decision by IMF to suspend its Poverty Reduction and Growth Facility in May 2001. IMF had approved a three-year Poverty Reduction and Growth Facility in the amount of $14.2 million in special drawing rights in December 2000 to provide resources to promote recovery and poverty reduction. The programme was linked to the provision of debt service relief in the amount of $790 million ($417 million in net present value) under the enhanced heavily indebted poor countries initiative of the Bretton Woods institutions. As the Government depends on official development assistance for more than 55 per cent of its budget, the suspension of the Poverty Reduction and Growth Facility, to which bilateral and multilateral donors have linked their assistance, has led to the drying up of assistance and a large budget deficit. As a result, the Government is experiencing cash flow problems and is unable to meet short-term economic and social needs, including paying civil servants and soldiers their wages in full and on time. Since then, IMF designed two additional programmes to restore the Facility, including the short-term macroeconomic programme for August to November 2001, and a staff-monitored emergency financial management programme for April to July 2002. Guinea-Bissau also failed to meet the targets set by these two programmes.

13. The prospects for Guinea-Bissau to get the Poverty Reduction and Growth Facility back on track are limited by structural factors, which affect the dependability and sustainability of the country's revenues. The country is highly dependent on the export of one product, namely cashew nuts, which is exported with little or no value added. The dominance of cashew as the major source of foreign exchange (95 per cent of export revenues) has made the country's export-earning capacity highly sensitive to price fluctuations. Indeed, the price of cashew nuts fell by 30 per cent in 2001 and was followed by a decline in production by 10 per cent in 2002, underlining the country's vulnerability to one commodity. Other sources of its limited foreign exchange inflows come in the form of royalties from fishing rights and from remittances from nationals living abroad. Although revenues from these sources are an option for countries like Guinea-Bissau that are severely handicapped in their supply capacities, it is important that the country explore its untapped natural resources, particularly its fisheries and other agricultural products, including rice, as well as forestry and minerals like bauxite, phosphates and petroleum, and seek to establish more secure alternative sources of foreign exchange based on productive activities.

14. Part of the weakness in the country's economy derives from the fact that its very small private sector only began to emerge from a centrally planned system in the late 1980s and was essentially decapitalized 10 years later during the civil war. It is operating in a difficult environment with little supporting economic infrastructure, including little or no access to credit internally[8] or externally, poor economic policies, limited and erratic access to energy supplies, including electricity, a poor and limited network of roads and air transportation links, a non-functioning port and the lack of a modern telecommunications sector. As a result of these difficulties, many economic activities are being shifted to the informal sector, thus depriving the Government of important sources of revenue.

15. As the economy worsens, the social situation is becoming increasingly grim. In a situation of high unemployment and underemployment, with only 38 per cent of the population employed, the Government being unable to pay salaries to civil servants and a worsening of the food security situation as a result of a drought in the Sahelian region, it is reported that 90 per cent of the population eat only one meal per day. Not surprisingly, the infant mortality rate is extremely high with as many as 1,000 children under-five dying per month, succumbing to malaria and respiratory illnesses. The education system is effectively shut down because of non-payment of salaries to teachers, who are also withholding grades for the last school year.

16. It must also be noted that the economic situation is affected by the developments in the domestic political arena. During the Advisory Group's consultations with key stakeholders prior to and subsequent to its visit to Guinea-Bissau, it became clear that, in addition to the suspension of the IMF's macroeconomic programme, the donor community is extremely concerned about the deficits in political and economic governance. During the quadripartite consultations on 11 November 2002, donors made it clear that the Government needed to promote political stability, demonstrate political will to define a national vision for development and develop the capacity to implement its strategy before assistance would be forthcoming. The donors were more specific in the area of political governance, expressing concern regarding the non-promulgation of the Constitution, which has been endorsed by the Parliament and considered to be the overall legal framework for the rule of law as well as the appointment to the Supreme Court of the President and Vice-President, which are elected positions. On the economic front, donors also expressed concern regarding the management of public finances. The view is that decisions on public expenditures are made on an arbitrary and ad hoc basis rather than according to established procedures and that there is constant political interference in decision-making. The difficulties in budget execution and expenditure controls are compounded by weak technical capacity in some of the key Ministries. Bilateral and multilateral donors are also concerned by the frequent changes in the Government's ministerial team, which creates political and institutional instability.

17. The issue of political and institutional instability came to the fore once again when President Kumba Yalá dismissed the Government of Prime Minister Nhasse and dissolved Parliament on 15 November 2002. Parliamentary elections, which, according to the Constitution, were due in November 2003, have now been scheduled to take place on 20 April 2003.

18. Overall, there is a fundamental problem related to the absence of an effective separation of the executive, legislative and judiciary powers, which makes it difficult for the effective functioning of the State and the norms of good governance. Many of the Group's interlocutors suggested that the President's exercise of his executive power is a source of tension. The functioning of the Legislature was also affected by the vast inexperience of many newly elected Parliamentarians who came to power in the 2000 elections. The Judiciary is seriously undermined by a lack of respect for its independence as well as a shortage of qualified professionals and material support. While there are no systematic and massive human rights violations, lack of a clear constitutional framework and systematic use of the law as an instrument of political repression have created an environment conducive to the violation of fundamental rights.

19. The situation in the security arena is a source of concern. There has been a fairly long history of involvement of senior military officers in political matters, including the civil conflict of 1998 and a coup attempt in 2000. While the army has now taken a position of loyalty to legally established institutions, there is still some frustration regarding the lack of a clear role of the military in society. It is also not clear whether the lower ranks, 80 per cent of which do not have basic education, have accepted this new approach. While the army does receive food regularly, the partial payment of salaries for the last six months and the disruption of the World Bank multi-donor funded demobilization, reinsertion and reintegration programme (DRR) are clearly dangerous for security. A new and emerging concern is the growing ethnic division in the army, with the overrepresentation of one ethnic group in the senior ranks. The availability of small arms also aggravates the security risk.

III. The role of the United Nations in addressing Guinea-Bissau's post-conflict needs

20. At the political level, the situation in Guinea-Bissau has been on the agenda of the Security Council since the outbreak of the civil war in 1998. The situation in the country is debated periodically based on a report submitted to the Council by the Secretary-General. After the coup attempt of November 2000, in recognition of the need to combine "sustainable post-conflict peace-building and economic and development issues", the Council urged flexibility on the part of donors and financial institutions on issues concerning debt relief, trade policies and internal budget constraints.[9] In August 2002, the Security Council Ad Hoc Working Group on Conflict Prevention and Resolution in Africa discussed the critical importance of continued economic and financial assistance for the consolidation of peace in Guinea-Bissau.[10] To this end, the President of the Security Council submitted letters to the World Bank, IMF and the African Development Bank encouraging them to show flexibility and urging them to find ways to strike a balance between the need for macroeconomic stability and peace-related priorities of Guinea-Bissau.

21. The United Nations organizations based in Guinea-Bissau, namely the Food and Agriculture Organization of the United Nations (FAO), UNDP, the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP) and the World Health Organization (WHO),[11] under the coordination of the UNDP Resident Coordinator, have been actively involved in providing assistance to Guinea-Bissau in a number of areas, including national reconciliation, economic management, health, education, agriculture and food security, poverty strategies and good governance.[12] UNDP was particularly active in supporting the interim Government in 1999 by mobilizing resources through the organization of an emergency round table[13] and coordination of international assistance in the conduct of the 1999 elections. UNDP has also been supporting subsequent Governments in restoring their functions, namely in the areas of public and economic administration and the removal of landmines. UNICEF has focused its efforts on supporting the development of health policies and strategies, the implementation of the Expanded Programme of Immunization, malaria and HIV/AIDS control, salt iodization, the revitalization of health centres and supporting the national plan of action "Education for All", in particular efforts directed at girls and the promotion of women's literacy.

22. WHO is working with UNICEF and UNFPA in the areas of HIV/AIDS, safe motherhood, reproductive health, including genital mutilation, and other health-related gender-gap issues, as well as the protection of children through vaccinations. It is also providing technical assistance for strategic planning in health and mobilizing a partnership for the development of the health sector. UNFPA is also contributing to the formulation of a national population policy and the updating of the population census, which is critical to a better understanding of the socio-economic and demographic context for planning purposes.

23. FAO has focused its activities on assisting the Government in meeting its food needs and in rehabilitating agriculture-related productive capital damaged or abandoned during the civil war. WFP supports the FAO food security effort by providing food aid and the rehabilitation of rural infrastructure, including the construction of cereal banks, which remains inadequate. WFP is also working with UNICEF to encourage school attendance, including attendance of girls, and to increase literacy among adults, particularly women, by providing food rations.

24. The efforts of the United Nations system have been strengthened by the presence of the Representative of the Secretary-General and UNOGBIS, which was established by the Secretary-General in June 1999, in response to the request by the Security Council for recommendations on what could be done to support peace-building in the country. The mandate of UNOGBIS was to assist the Government in creating an environment for restoring and consolidating peace, democracy and the rule of law and for facilitating the implementation of free and transparent elections and the implementation of the peace agreement; overseeing voluntary arms collection and destruction, and harmonizing the activities of the United Nations system in the country.[14] After the completion of successful elections, the mandate was revised to facilitate the mobilization of international political support and resources for the rehabilitation, reconstruction and development priorities of Guinea-Bissau. UNOGBIS provides support to the Government in its efforts to consolidate and maintain peace and acts as an intermediary between political parties, facilitating the transmission of messages, building confidence among the parties and working to manage emerging crises. The mandate of UNOGBIS has been extended until 31 December 2003 to allow it to contribute further to the consolidation of democratic gains in Guinea-Bissau, to help its people lay the foundations for durable peace and sustainable development and to strengthen the country's friendly relations with its neighbours.

25. As in other countries, the United Nations country team has prepared a common country assessment and a United Nations Development Assistance Framework (UNDAF), which were completed in 2001 and 2002, respectively, to provide policy and operational coherence to their future activities in the country. Prepared in consultation with the Government, these two instruments identified poverty reduction and improved governance as the priorities for the country. The framework contains a series of integrated, phased programmes in the political, social and economic spheres, designed to reinforce each other and help the Government in the areas of accountable and transparent governance and poverty reduction. A number of organizations that are not based in Guinea-Bissau, such as the International Labour Office (ILO), the United Nations Capital Development Fund (UNCDF), the Department for Economic and Social Affairs of the Secretariat, the United Nations Environmental Programme (UNEP), UNESCO, the United Nations Centre for Human Settlements, the United Nations Industrial Development Organization (UNIDO), the United Nations Development Fund for Women (UNIFEM) and the

United Nations Office for Project Services also participate in joint activities in a number of priority areas identified by UNDAF.

26. In the view of the Ad Hoc Advisory Group, the common country assessment and the Development Assistance Framework could be revisited. The assessment, for example, provides a summary of development situation of the country but does not reflect the structural impediments facing the country or provide an analytical overview of the root causes of conflict. While UNDAF is in line with national priorities and addresses some of the post-conflict needs of the country, it is not substantially different from an UNDAF in any other African country and lacks the flexibility to respond quickly to the changing and fluid situation in the country.

27. In recognition of the urgency of improving the effectiveness of the United Nations system's response to the prevention and reduction of conflict in the country, the UNDP Bureau of Crisis Prevention and Recovery and its Regional Bureau for Africa undertook a mission to the country, which coincided with that of the Ad Hoc Advisory Group. The objectives of that mission were to conduct a strategic assessment of the risk of the country's relapse into conflict and to identify ways and means of assisting UNDP and the United Nations country team to strengthen and expand their conflict prevention and peace-building policies and programming strategies in an integrated manner. The recommendations of the mission of the UNDP Bureaux will be incorporated into a new strategy for Guinea-Bissau.

IV. The role of the international community in addressing Guinea-Bissau's post-conflict needs

28. The international community, including the United Nations system, continued its assistance to the Government after the civil war ended in 1999, although the volume of net official development assistance dropped sharply from $177.9 million in 1996 to $52.4 million in 1999 (see annex III). Assistance from the United Nations system also declined significantly between 1996 and 1998, from $11.1 million to $9 million, however unlike assistance from other sources, jumped to $14.9 million in 1999 in response to the post-conflict humanitarian needs of the country (see annex IV).

29. Guinea-Bissau's relationship with the Bretton Woods institutions in its post-conflict era has been critical to the mobilization of resources for the country. Since the civil war, the Bretton Woods institutions have played an active role in the country.[15] Both institutions responded quickly to the interim Government's national reconstruction and reconciliation programme prepared for the emergency round table organized by UNDP in May 1999 at Geneva, using their post-conflict frameworks to secure credits for the country. IMF approved an emergency post-conflict loan of $3.5 million in September 1999 and the World Bank approved an Economic Rehabilitation and Recovery Credit of $25 million in May 2000. The latter was designed to support demobilization and reintegration of ex-combatants, the settlement of sizeable domestic arrears to the local private sector and the improvement of public sector management. A $26 million private sector rehabilitation and development project was approved in March 2002 to support increased investment, competitiveness and the participation of the private sector in economic activity by supporting regulatory reforms, the reform of telecommunications, air transport, port, water and energy sectors, the divestiture of public enterprises and the retrenchment of redundant workers. A transitional support strategy is planned for fiscal year 2003 and a HIV/AIDS project for 2004.

30. Although the Ad Hoc Advisory Group did not obtain any solid data on the volume of assistance for the period 2001-2002, as noted earlier, the failure to get the Poverty Reduction and Growth Facility back on track has severely affected aid flows from bilateral and multilateral donors, including aid from the European Union, the World Bank and the African Development Bank. Guinea-Bissau benefited from $77 million in World Bank credits since 1997, although $57.6 million remain undisbursed. These credits include an economic rehabilitation and recovery credit of $25 million, approved in May 2000, which is subject to an adequate macroeconomic framework and thus linked to the existence of an IMF macroeconomic programme. Two tranches for the demobilization and domestic arrears programmes, in the amount of $13 million, have yet to be disbursed, affecting two important aspects of Guinea-Bissau's recovery, namely, improving security and reactivating the private sector.

31. While not linked to an IMF programme, funds from three other World Bank loans also remain undisbursed, including: $9 million of the Basic Education Support Project of $14.3 million, approved in June 1997; $7 million of the National Health Development Programme of $11.7 million approved in October 1997; and $22 million of the $26 million Private Sector Rehabilitation and Development Project, approved in March 2002. Problems relating to unauthorized expenditures, political instability and the lack of confidence in the Government have led to a delay in disbursements.

32. Consultations with the United Nations country team revealed that the level of support United Nations funds and programmes receive in the form of extrabudgetary resources is highly inadequate and is affecting the implementation of existing programmes. The team was not optimistic about the prospects for the next programme cycle as all programmes continue to face major funding gaps. For example, only 20 per cent of UNICEF's programme for 2003-2007 of $18 million is funded from core resources and the remaining 80 per cent has not yet been secured. It is clear that the needs of the country since the end of the civil war are much greater than the United Nations system can support, especially given its own financial constraints and the pressures of its zero-growth budget.

33. A number of countries continue to provide assistance for humanitarian and emergency assistance to the country, namely Portugal, the Netherlands, Sweden, France and Italy, as does the European Union, however this is inadequate to meet the sustainable development needs of the country, including capacity-building and institution-building. In consultations with the United Nations country team, donors emphasized the importance of partnerships with new "friends" and the need for coordination with bilateral donors and the Bretton Woods institutions. Some members of the team noted that there was an emerging trend, with one or two donors amenable to linking up their support programmes with those of the United Nations system, which they say should be strongly encouraged.

34. In recognition of the fact that Guinea-Bissau would be unlikely to meet the minimum requirements of the Poverty Reduction and Growth Facility, given the legacy of the civil war, the country's capacity constraints, weak institutions and continuing political instability and in light of the urgent need for donor support, IMF has decided to change its strategy for Guinea-Bissau. The Fund will no longer focus its efforts on bringing the Poverty Reduction and Growth Facility back on track, but will put in place an extended staff-monitored programme, in consultation with donors, as a way of providing a framework for the resumption of their support. Within the context of the staff-monitored programme, the Fund will continue to

monitor progress in the macroeconomic area and to provide the necessary information to the donor community, including information on the Government's commitment to financial discipline and reform policies, in order to enable them to make decisions on whether to resume support to Guinea-Bissau, recognizing that their decisions may be based upon other factors than those of importance to IMF. The Fund believes that this approach will avoid giving "red or green light" signals to donors and will break the rigid link between an IMF macroeconomic programme (Poverty Reduction and Growth Facility) and donor assistance.

35. It is important to note that while this will allow the Government of Guinea-Bissau to continue with its structural adjustment and economic reforms at a slower pace than under the Poverty Reduction and Growth Facility, it also means that it will take some time to bring the Facility back on track and that debt relief from IMF will remain suspended.[16] A staff-monitored programme also means that only technical assistance will be provided and that no financial resources from the Fund will be available.

36. The UNDP-led round table for Guinea-Bissau, which is currently being prepared, presents an opportunity for donors to resume full support to the country. The round table also provides a framework for more effective donor coordination than presently exists. It is hoped that the upcoming elections will provide the institutional framework required by the donors in order to respond positively by increasing aid flow to Guinea-Bissau.

V. Conclusions

37. The visit to Guinea-Bissau was important in providing a fuller and more nuanced view of developments in the country. A wide range of consultations and briefings led the Ad Hoc Advisory Group to make a number of observations. Guinea-Bissau has been independent for 28 years, following a protracted war of liberation, which resulted in the destruction of human, social, private and public capital. The legacy of both the national liberation and civil wars is still very much evident in the lack of capacity and institutions. It must also be recalled that Guinea-Bissau is facing three simultaneous transitions: from a centrally-planned economy to a market economy beginning in the late 1980s; from a single-party State to a multi-party system, beginning in the early 1990s; and from its civil war of 1998 and 1999, which did further damage to the country since it had not fully recovered from its war of independence. It is clear that, against this background, expectations were too high regarding the country's ability to rapidly adjust to the requirements of the Bretton Woods institutions and the donor community. It is the view of the Advisory Group that the country needs more time to urgently and meaningfully address longer-term sustainable development and governance. It is also our view that while the country is in the process of peace consolidation, it will require that the international community take its special situation into consideration.

38. The Advisory Group is also convinced that there must be a sense of urgency in finding creative ways to help Guinea-Bissau, despite its structural and political problems. The Group concurs with the assessment by UNDP, based on its vulnerability analysis, that the combination of social, economic, political and security crises pose a risk of relapse into conflict.[17] Against this backdrop, it is critical that the international community address how peace can be consolidated and identify strategies that can be developed and implemented to support it even if the

current situation is not ideal in terms of governance. As stressed in the report of the Inter-Agency Mission to West Africa to the Security Council,[18] every effort should be made to ensure that there is adequate delivery of social and economic programmes to States in transition in order to ensure that social discontent does not jeopardize the democratic process. The costs of failing to act would be significantly higher to the country, the region and the international community than what would be required to ensure its stability. The Group is very much aware of the problem of institutional instability, and it is for that reason that it is important to think outside the framework of classic models and solutions, bearing in mind that short-term support can be used to leverage longer-term change.

39. As the Secretary-General observed in his report to the Security Council in June 2002, peace-building is difficult, perhaps impossible, unless it is based on a firm economic foundation.[19] It is with this in mind that he urged the donor community, including the Bretton Woods institutions, to find a way to strike a balance between the need for macroeconomic stability and peace-related priorities, which require greater tolerance for public sector expenditures and budget deficits. He also continued, in his report of 13 December 2002,[20] to call on the international community to provide urgent budgetary assistance to Guinea-Bissau so that the Government can address pressing short-term obligations and guarantee the minimum functioning of the State.

40. The Ad Hoc Advisory Group recognizes that there is a vital link between national stability and economic and social development and that the latter can only be provided by the return to political stability. It is evident from the Group's consultations with donors that there is willingness to provide assistance, but that the Government of Guinea-Bissau must be willing to make the necessary commitments in order to secure it. The Group is willing to act as a bridge between the donor community, the Bretton Woods institutions and the Government, but it is important to note that political commitment on the part of the national leadership is indispensable to the process. The Group is also aware that the recent dissolution of the National Assembly and the dismissal of the Government in November 2002 further complicate prospects for the mobilization of development resources. The central message of many interlocutors is that the international community and the United Nations should not abandon the country but rather ensure that donor assistance is well managed. Civil society organizations, in particular, are looking to the international community for support.

41. The Ad Hoc Advisory Group on Guinea-Bissau would also like to underscore the importance of a comprehensive and coordinated approach by the international community not only to Guinea-Bissau but to all countries emerging from conflict. As pointed out by the Secretary-General in his report proposing the mandate and operational modalities of the Advisory Groups of the Economic and Social Council, a clear need exists for greater coordination of priorities, programmes and related financial and technical support coming from the United Nations system, bilateral and other multilateral partners for broad-based recovery and reconstruction and prevention of the re-emergence of conflict. The gaps inherent in individual efforts must be plugged, including those that remain after the end of peacekeeping operations.

VI. Recommendations

42. It is evident to the Ad Hoc Advisory Group on Guinea-Bissau that a new development paradigm is needed for the country, one based on a partnership

between the Government and the international community. This partnership should be based on common objectives and on a long-term development strategy. The Government would define development goals, through the early completion of the poverty reduction strategy paper, and progress towards achieving those goals could be measured by mutually agreed benchmarks. The international community would support national efforts financially and otherwise. Such a partnership will only work if the actions by the country and the international community are simultaneous, and if there is a strong will to succeed on both sides. Only through a new approach by international institutions, donors and the Government of Guinea-Bissau itself, will concrete and measurable progress be made towards the achievement of the goals and targets of the major United Nations conferences and summits, especially those contained in the Millennium Declaration.

A. Short-term recommendations

43. **In order to address the urgent need for short-term assistance to Guinea-Bissau and restore the confidence of the international community while seeking to ensure the stability and functioning of the State, the Ad Hoc Advisory Group recommends to the Economic and Social Council that the partnership described above be in the form of a compact, which could be based on the discussion paper submitted by the Group to President Kumba Yalá on 13 November 2002.[21] The Advisory Group maintains that such a compact can only be implemented if there is simultaneous movement on all tracks (Government commitments and donor support as well as economic, social and political issues). The paper outlined the elements of such a partnership, which would include measures that need to be undertaken by the relevant authorities of Guinea-Bissau as a matter of priority if the situation is to be improved and donor confidence restored, namely by: promoting the rule of law and political stability, more specifically by promulgating the Constitution; electing the President and Vice-President of the Supreme Court; empowering the ministerial team so as to give its members a measure of stability and continuity as well as formulating a long-term development strategy. These actions will help create conditions for a positive response from the international development partners to assist Guinea-Bissau, and could include: emergency financial support; technical assistance; capacity-building; assistance for the preparations of the 2003 and 2004 elections; and other forms of development assistance. The compact would have a high-level national steering committee to provide political oversight and monitoring of its performance as well as a supporting operational committee composed of representatives of the Government, the United Nations system and principal donors.**

44. **The proposed compact could have, as a central instrument, a temporary trust fund to address urgent short-term needs, to which the donor community could contribute in the amount of $12 to 15 million, which IMF estimates to be the minimum required for the functioning of the State until the next inflow of revenues from cashew nuts exports and fishing licenses in May 2003. The trust fund could: finance essential recurrent expenditures required for the minimum functioning of the Government; provide transparency and accountability in the use of emergency assistance; provide a neutral entity to manage its resources; reduce the burden on Government capacity while building capacity; and encourage donor coordination and a high degree of partnership with the Government and among**

those willing to participate in the implementation of the mechanism. The management of the trust fund could be linked to a set of policy benchmarks considered to be critical to improving economic and political governance and could include planning and preparations for the elections, a time-line for the elections to the Supreme Court, a time-line, strategy and process to clarify and promulgate the Constitution and stability and continuity of the ministerial team. Implementation of the benchmarks could be reviewed on a monthly basis.

45. **Given the country's capacity limitations, technical assistance for capacity-building will be fundamental to the operations of the trust fund and will be directed principally towards the Ministry of Economy and Finance and the Treasury in order to strengthen economic management capacities and improve transparency and accountability in the budgetary processes. Technical assistance directed at capacity-building will also be required for the planning and preparation of the legislative and presidential elections**

46. **It is important that parliamentary elections, which will be held within the next few months, be seen as credible and fair. This will contribute to the consolidation of Guinea-Bissau's nascent democracy. To this end, the international community should respond favourably to the request of the Government of Guinea-Bissau for financial and technical assistance in the organization and holding of the elections.**

47. **Recalling that the inadequate management of the demobilization and reintegration process of ex-combatants from the war of independence was one of the precipitating sources of conflict, and given the importance of supporting peace-building, the Advisory Group is of the view that the demobilization, reinsertion and reintegration programme (DRR) should be funded as a matter of priority and that all possible options for funding be explored.**

Recommendations addressed to the United Nations system

48. The Ad Hoc Advisory Group on Guinea-Bissau welcomes the supportive role being played by the United Nations in Guinea-Bissau. The Group recommends to the Economic and Social Council that it:

(a) **Encourage UNDP to finalize and put in place its Emergency Economic Management Fund, which could be used as the mechanism to address the short-term needs of Guinea-Bissau;**[22]

(b) **Encourage an acceleration of UNDP plans to restructure its governance programme to focus on more traditional capacity-building programmes in the areas of civil society participation, separation of powers, economic and financial management and civil service reform. In doing so, UNDP may wish to develop a new programme of technical assistance, in collaboration with IMF, the World Bank and other providers of technical assistance, who could together identify short and medium-term technical assistance needs and outline an action plan for the delivery of such assistance;**

(c) **Invite UNDP to continue its efforts to work towards the finalization of required preparations for the round table on Guinea-Bissau, including mobilizing the support of actors.**

Recommendations addressed to the Bretton Woods institutions

49. To support the efforts to consolidate peace in Guinea-Bissau, the Ad Hoc Advisory Group recommends to the Council that it encourages the Bretton Woods institutions to:

(a) **Explore the possibility of de-linking peace-building activities from macroeconomic programmes and consider other ways of addressing urgent needs;**

(b) **Facilitate the efforts of the country to improve its financial management in the context of an extended staff monitored programme, by placing an IMF resident representative in the country.**

Recommendations addressed to the donor community

50. The Ad Hoc Advisory Group is of the view that the number of partners providing support to Guinea-Bissau is extremely limited. In this context, the Group recommends to the Economic and Social Council to invite other Member States to become active partners in contributing to peace and stability in Guinea-Bissau in an effort to expand the donor base for the country. The Group also recommends that the donor community be invited to:

(a) **Support capacity-building based on the UNDP's technical assistance plan either through the direct provision of technical assistance or through supporting triangular arrangements;**

(b) **Contribute to the success of the round table by becoming engaged in the preparations and actively participating in the event with a view to increasing their contribution to peace-building and longer-term sustainable development of the country.**

Recommendations to the international community as a whole

51. The Economic and Social Council may wish to encourage the international community as a whole to become active in supporting the stabilization of Guinea-Bissau. To that end, the Council may wish to:

(a) **Call on the international community to provide financial and technical assistance to the National Electoral Commission of Guinea-Bissau in order to ensure the credible conduct of parliamentary elections;**

(b) **Encourage bilateral donors, the organizations of the United Nations system, including UNDP, UNIFEM, ILO, UNIDO, FAO, the International Fund for Agricultural Development (IFAD), the World Food Programme (WFP), Member States and civil society organizations, including national and international non-governmental organizations (NGOs), foundations, academia and the private sector, to commit, on an urgent basis, to funding quick-impact income-generating projects at the community level. The international NGOs would be requested to work in collaboration with local partners;**

(c) **Invite countries in West Africa and those of the Community of Portuguese-speaking countries to provide technical assistance in the areas defined by the United Nations country team, either directly or through triangular arrangements with donors or the United Nations.**

B. Long-term recommendations

Recommendations addressed to the Government of Guinea-Bissau

52. The Ad Hoc Advisory Group on Guinea-Bissau recognizes that there is a strong link between long-term stability and development and that sustainable development requires that the structural factors undermining economic growth be addressed. It is in this context that the Group recommends to the Council that it urges the Government of Guinea-Bissau to:

(a) **Promote political stability by, inter alia, strengthening and demonstrating its commitment to consolidating the rule of law, respecting the separation of powers and safeguarding human rights;**

(b) **Formulate a comprehensive economic diversification strategy that is geared towards adding value to cashew nuts, expanding its range of agricultural exports, including rice, and developing its fisheries and forestry subsectors and tourism industry;**

(c) **Improve the conditions for private sector activity by creating the legal and financial conditions for increased private investment.**

Recommendations addressed to the Bretton Woods institutions

53. In light of the need to strengthen policies in post-conflict countries like Guinea-Bissau, the Advisory Group recommends that the Council encourage the Bretton Woods institutions to:

(a) **Ensure that flexibility and creativity are embedded in the design of macroeconomic and poverty reduction programmes;**

(b) **Consider expanding assistance to support the country's economic diversification programme;**

(c) **Accelerate efforts, in close collaboration with the private sector and regional organizations, to strengthen the banking system;**

(d) **Assist in the rehabilitation and upgrading of infrastructure, including energy, transport, communications, health and education;**

(e) **Work more closely with United Nations organizations in the field in the design and implementation of programmes.**

Recommendations addressed to the donor community

54. To assist in the long-term development of Guinea-Bissau, the Ad Hoc Advisory Group recommends to the Economic and Social Council that it urge donors to:

(a) **Give carefully targeted support to the rehabilitation and reconstruction of critical infrastructure, including health and education as well as water, energy and transport. This support should be considered part of "post-conflict" relief with a view to relaunching economic activities. These infrastructure projects could then be used to create employment for ex-combatants and youth;**

(b) **Provide financial and technical assistance to the elaboration and implementation of a diversification programme with a view to supporting the country's efforts to find new sources of growth. In this context, donors with**

special programmes[23] for African and least developed countries could consider ways to enhance access by Guinea-Bissau to those opportunities;

(c) Renegotiate more favourable terms for fishing licenses, provide financial and technical support for controlling the country's maritime zone and assist the Government in addressing the sustainability of its stocks;

(d) Support the efforts of Governments to review, as appropriate, their ongoing national food security policies with a view to filling gaps, identifying and removing obstacles and taking adequate measures;

(e) Encourage private investment in Guinea-Bissau with a view to supporting the development and diversification strategy of the country.

Recommendations addressed to the United Nations system

55. The Ad Hoc Advisory Group is of the view that the specific challenges facing Guinea-Bissau as a post-conflict country require strong international support to the country and a more coherent and coordinated approach. The Advisory Group therefore recommends that the Council:

(a) Request the Secretary-General to strengthen United Nations staff with the requisite training and expertise in early warning and preventive measures;

(b) Urge United Nations organizations to strengthen their activities in the country and consider, as appropriate, resident representation;

(c) Reconfirm the priority given to gender mainstreaming in the United Nations Development Assistance Framework (UNDAF) and all agencies to devote more efforts and resources to this area;

(d) Call on all relevant United Nations organizations to mainstream assistance to the media into its programmes, where possible, given the critical role played by the media in post-conflict countries in providing information, promoting democracy, preventing conflict and consolidating peace. In countries like Guinea-Bissau, where the literacy rate is low, the role of radio is particularly relevant;

(e) Call on United Nations agencies to integrate the human rights dimension in the formulation and the implementation of their programmes;

(f) Call on UNCTAD, UNIDO, FAO, IFAD and the Common Fund for Commodities (CFC), in collaboration with other relevant and interested agencies, to assist the Government of Guinea-Bissau in formulating and implementing an economic diversification strategy;

(g) Call on the specialized agencies, funds and programmes of the United Nations system to strengthen their subregional programmes where they exist, with a view to strengthening ties within the region, as well as to support regional cooperation and integration in areas of common interest, such as fisheries and infrastructure. In this connection, the United Nations country team should work closely with the United Nations Office for West Africa;

(h) Call on the United Nations Information and Communication Technology Task Force to assist Guinea-Bissau in strengthening its information and communication technology infrastructure, including through the mobilization of resources;

(i) Call on the United Nations country team to improve its policy and operational coordination and increase the number of joint activities to enhance the impact of its assistance and reduce transaction costs;

(j) Call on the United Nations country team and UNOGBIS to work in close collaboration on activities designed to stabilize the country and build peace in a more effective and coherent manner;

(k) Call on the Secretary-General to clarify the role and mandate of his Representative and those of the Resident Coordinator in Guinea-Bissau;

(l) Call on the United Nations country team to revisit the common country assessment to more adequately reflect the specificity of the root causes of conflict in Guinea-Bissau and provide a risk assessment related to this analysis. In this connection, United Nations organizations should consider revising the United Nations Development Assistance Framework to ensure that the activities elaborated therein respond to the needs identified by the risk assessment.

Concluding remarks

56. The Ad Hoc Advisory Group on Guinea-Bissau would also like to stress the importance of the subregional context. Guinea-Bissau is part of a subregion that is currently in turmoil. The international community is already engaged in addressing the political and security challenges of the Mano River Union countries (Guinea, Liberia and Sierra Leone) and the current political and military crisis in Côte d'Ivoire. The relapse of Guinea-Bissau into conflict would have spillover effects, given the porous nature of the various borders and ethnic affiliations straddling the various countries and could create additional flows of refugees and internally displaced persons in the subregion. The Group is deeply concerned about the potential negative effects for the subregion and is strongly in favour of the view that an integrated subregional approach should be taken in addressing the problems of Guinea-Bissau.

57. The upcoming parliamentary elections of 20 April 2003 can help to consolidate democratic governance and could have important repercussions on how the donor community responds to the short-term crisis in the country and its conduct can help to consolidate democratic governance. Guinea-Bissau is clearly at an important crossroad. For this reason, the Advisory Group will remain seized of this matter until after the elections, since the outcome may have an impact on the feasibility of implementing the proposed recommendations. The Group may submit a supplementary report to the Council.

Notes

[1] Ms. Leslie Wade of the Department of Economic and Social Affairs supported the Group in its work.

[2] Representatives from the "Group of Friends" included Nigeria, Sweden, Germany, the United States of America, Guinea, Italy and France.

[3] Including Japan and the United Kingdom of Great Britain and Northern Ireland.

[4] The Group met with an IMF team comprising: Mr. Abdoulaye Bio-Tchané, Director of the Africa Department; Mr. Donal Donovan, Deputy Director; Mr. Harry Snoek, Deputy Division Chief and Chief of Mission to Guinea-Bissau; and Mr. Reinhard Munzberg of the IMF New York Office. At the World Bank, the Group met with: Mr. Callisto Madavo, Vice-President and Head of the Africa Region; Ms.

Mary Barton-Dock, Country Coordinator; and Mr. Marcelo Andrade, Country Economist and Head of the World Bank Mission to Guinea-Bissau. The Group also met with Mr. Paulo Gomes, Executive Director of the World Bank for 24 Francophone African countries; and a number of his fellow Executive Directors, to initiate a dialogue on ways to assist post-conflict countries.

[5] Interim poverty reduction strategy paper, 2000; World Bank, Republic of Guinea-Bissau: Poverty Assessment and Social Sectors Strategy Review, 1994.

[6] 2001, interim poverty reduction strategy paper.

[7] After a decline of the growth rate by 28 per cent in 1998, an increase in the price and production of cashews contributed to the expansion of the economy of 7.6 per cent in 1999 and 7.5 per cent in 2000.

[8] Only one of the three banks that previously existed is operating in the country. This Bank services the cashew trade and does not provide regular banking services. The Government has not completed the payment of arrears to the private sector incurred during the civil war.

[9] S/PRST/2000/37.

[10] S/2002/979.

[11] While only these six agencies are represented in Guinea-Bissau, ILO, UNEP, UNESCO, UNIDO and the United Nations Centre for Human Settlements (UN-Habitat) have also defined activities in Guinea-Bissau under the UNDAF for 2002-2007. The United Nations Development Fund for Women (UNIFEM) and the United Nations Capital Development Fund (UNCDF), two of UNDP's funds, have similarly defined programmes within the context of the United Nations Development Assistance Framework.

[12] The Office of the United Nations High Commissioner for Refugees (UNHCR), while not based in Guinea-Bissau, is working through Adventist Development and Reconstruction Agency to protect and assist the 7,703 refugees from neighbouring countries.

[13] The pledges of $200 million have not materialized because of continuing political instability and the perception that the Government's management of the economy is inadequate.

[14] A representative of the Secretary-General and head of UNOGBIS was appointed on 30 April 1999 and a trust fund in support of activities related to the mandate and objectives was set up on 29 July 1999.

[15] Prior to the civil war, two social sector projects had been approved in 1997, including a basic education project to improve school facilities and teaching-learning process, increase institutional capabilities in planning access to basic education, institute a mechanism for regular payment of teachers, improve human resources and financial management within the sector and prepare a policy framework for future programmes. The National Health Development Programme was to improve the health status of the population, particularly of women and children, through strengthening the national health system, including health services and facilities, and management structures and processes.

[16] Guinea-Bissau continues to benefit from debt relief from the World Bank.

[17] The mission carried out by the Bureau of Crisis Prevention and Recovery and the Regional Bureau for Africa of UNDP identified small arms availability, the potential frustration of ex-combatants who have not been fully reintegrated into society, further changes in government administration in the short term and the impact of ethnic policies as potential triggers for a relapse into conflict.

[18] S/2001/434.

[19] S/2002/662.

[20] S/2002/1367.

[21] See annex II to the present report. It should be noted that the Government of Guniea-Bissau has not yet responded formally to the discussion paper.

[22] See annex V for an outline of the proposed Fund.

[23] These include the European Union "Everything but Arms Initiative" and the United States African Growth and Opportunity Act.

Annex I

List of persons consulted

New York

Ambassador Arthur C. I. Mbanefo, Permanent Representative, Nigeria

Ambassador Pierre Schori, Permanent Representative, Sweden

Ambassador Papa Louis Fall, Permanent Representative, Senegal

Ambassador Luis da Matos Monteiro da Fonseca, Permanent Representative, Cape Verde

Ambassador Yoshiyuki Motomura, Deputy Permanent Representative, Japan

Mr. Michael F. von Ungern-Sternberg, Minister Plenipotentiary, Permanent Mission of Germany

Mr. John Davison, Minister Counsellor, United States Mission

Ms. Maria Angela Zappia, First Counsellor, Permanent Mission of Italy

Mr. Paul Gao Zoumanigui, Counsellor, Permanent Mission of Guinea

Mr. Emmauel Lennain, First Secretary, Permanent Mission of France

Mr. Thomas Kelly, First Secretary and Ms. Howe-Jones, First Secretary, Permanent Mission of the United Kingdom

Mr. Kieran Prendergast, Under-Secretary-General, Department of Political Affairs

Mr. Tuliameni Kalomoh, Assistant Secretary-General, Department of Political Affairs

Mr. Youssef Mahmoud, Director, Africa II Division, Department of Political Affairs

Ms. Carina Perelli, Director, Electoral Assistance Division, Department of Political Affairs

Mr. Jack Christofides, Senior Political Affairs Officer, Department of Political Affairs

Ms. Galina Kuznetsova, Desk Officer, Guinea-Bissau, Department of Political Affairs

Mr. Mark Malloch Brown, Administrator of UNDP

Ms. Julia Taft, Assistant Administrator and Director, Bureau for Crisis Prevention and Recovery, UNDP

Mr. Abdoulaye Mar Dieye, Director, Country Operations I (ECOWAS), Regional Bureau for Africa, UNDP

Mr. Luc Franzoni, Associate Director, Division for United Nations Affairs, UNDP

Mr. Auke Lootsma, Desk Officer, Guinea-Bissau, Regional Bureau for Africa, UNDP

Mr. Reinhard Munzberg, IMF Representative to the United Nations

Mr. Eduardo Doryan, World Bank Representative to the United Nations

Ms. Eveline Herfkins, Executive Coordinator for the millennium development goals campaign

Mr. Boubacar Toure, former representative of Guinea-Bissau to the United Nations

Mr. Raul Cabral, Liaison Officer with the World Food Programme

Dr. Marcelino da Goya (MD, MPS)

Mr. Joao Carlos Gomes, former United Nations staff member, journalist and author

Washington, D.C.

IMF

Mr. Abdoulaye Bio-Tchané, Director of the Africa Department

Mr. Donal Donovan, Deputy Director

Mr. Harry Snoek, Deputy Division Chief and Chief of Mission to Guinea-Bissau

World Bank

Mr. Callisto Madavo, Vice President and Head of the Africa Region

Ms. Mary Barton-Dock, Country Coordinator

Mr. Marcelo Andrade, Country Economist, Head of the World Bank Mission to Guinea-Bissau

Ms. Carmen Pereira, World Bank

Mr. Paulo Gomes, Executive Director, World Bank

Guinea-Bissau

Government

H.E. Mr. Kumba Yalá, President of the Republic

Mr. Babacar Diallo (Presidential adviser on political and diplomatic affairs)

Mr. Juliano Fernandes (Presidential adviser on political and legal affairs)

H.E. Mr. Alamara Nhasse, Prime Minister

H.E. Ms. Filamena Tipote, Minister of Foreign Affairs

H.E. Mr. Rui Duarte Barros, Minister of Economy and Finance

H.E. Dr. C. P. Pereira, Minister for Public Administration and Labour

Mrs. Fatumata D. Balde, Secretary of State for Social Solidarity

Mr. Ciprano Gomes, Principal Adviser, Ministry of Foreign Affairs

Mr. Armindo Handem, Adviser, Ministry of Public Administration and Labour

Mr. Joãozinho Veira Có, Ambassador of Guinea-Bissau to Portugal

Mr. Jorge Malu, President of the National Assembly

2nd Vice-President of the Resistance of Guinea-Bissau (RGB)

1st Vice-President of the African Party for Independence of Guinea-Bissau and Cape Verde (PAIGC)

1st Secretary of the Party of Social Renovation (PRS)

Mr. Domingos Fernandes, President of the National Committees of the RGB

Mr. Carlos Gomes Cadogo, President of the PAIGC

Mr. Sola Naquilim, Head of the Parliamentary Group of the PRS

General Verissimo Seabra, Chief of the Armed Forces

Civil society

Ms. Macarai Barai, President of the Civil Society Movement

Mr. Luis Manuel, President of the Human Rights League

Mr. Embalo, President of the National Organization of Civil Society Organizations

Ms. Antonia Mendes Teixeira, Director of the Women and Children's Institute

Mr. Desejado Lima da Costa, Representative of the Trade Union

Ms. Maria Augusta, Representative of the Youth Association

Mr. Mamadu Baba Jaité, President, Chamber of Commerce, Industry and Agriculture

Mr. Saliu Ba, Secretary General, Chamber of Commerce, Industry and Agriculture

Mr. Joao de Barros, Director of Newspaper Correio de Bissau

Mr. Humberto Monteiro, Director of weekly newspaper Gazeta de Noticias

Mr. Agnelo Regala, Director of Radio Bombolom

Representatives of Religious Groups (Christian, Muslim and Traditional)

United Nations system

Mr. David Stephen, Representative of the Secretary-General in Guinea-Bissau (UNOGBIS)

Mr. Alberic Kacou, Resident Coordinator and UNDP Resident Representative

Mr. Martim Maya, Deputy Resident Representative, UNDP

Mrs. Diara, Deputy Director (UNOGBIS)

Ms. Vitoria Ginja, WFP Representative

Mr. Norbert Dazogbo, FAO Representative

Mr. Antonio Delgado, WHO Representative

Mr. Sergio Guimaraes, UNICEF Representative

Ms. Marlene Francois-Lays, UNFPA Representative

Admiral Martin Mavoungou, Military Adviser, UNOGBIS

Lieutenant-Colonel Michel Sallé, Military Adviser, UNOGBIS

Mr. Guillaume N. A. Andali, Human Rights Officer, UNOGBIS

Mr. Jean Nicolas Marchal, consultant for Bureau of Crisis Prevention and Recovery

Ms. Eleanor O'Gorman, Bureau of Crisis Prevention and Recovery, UNDP

Mr. Auke Lootsma of the Regional Bureau for Africa, UNDP

Diplomatic community

H.E. Mr. Bernard LeTourneau (France)

H.E. Mr. Jorge de Carvalho (Portugal)

H.E. Mr. Rainald Steck (Germany)

H.E. Mr. Bo Wilen (Sweden)

H.E. Mr. Alan Burner (United Kingdom)

H.E. Mr. Jos von Aggelen (the Netherlands)

H.E. Mr. Mark C. Rochester (United States of America)

H.E. Mr. Arthur Meyer (Brazil)

H.E. Mr. Abdoulaye Dieng (Senegal)

H.E. Mr. Gao Kexiang (China)

H.E. Mr. Salifou Sylla (Republic of Guinea)

H.E. Ebou Momar Tall/Chierno Barra Toury, Chargé d'affaires (Gambia)

H.E. Mr. Joao Esteves Diaz, Chargé d'affaires (Cuba)

H.E. Mr. Viacheslav Rozhnov, Chargé d'affaires (Russian Federation)

Mr. Antonio Martins (European Union)

Regional organizations

Mr. Chukwuma Anusionwu, African Development Bank

Annex II

Discussion document

I. Context

1. Guinea-Bissau, a country emerging from conflict with a fragile economy and institutions, is facing a serious financial and development crisis and a crisis of confidence on the part of the donors.

2. The visiting Ad Hoc Advisory Group on Guinea-Bissau benefited from discussions with the President, the Prime Minister and other organs of the Government, civil society, the United Nations system, including the International Monetary Fund (IMF), the World Bank and the donor community. These discussions led to the conclusion that urgent steps need to be taken to reverse the downward trend and create the conditions necessary to restore confidence, a prerequisite for increased engagement by the international community.

II. The way forward

3. While it would be necessary for the Government to demonstrate strong commitment to stability, good governance and sound financial management, there is a strongly held view that the following actions need to be undertaken by the relevant authorities of Guinea-Bissau as a matter of priority if the situation is to be improved and donor confidence restored:

- Promote rule of law and political stability, specifically by
  - Promulgating the Constitution;
  - Electing the President and Vice-President of the Supreme Court;
  - Empowering the Ministerial Team so as to give its members a measure of stability and continuity.
- Formulate a long-term development strategy.

4. These actions will help create conditions for a positive response from the international development partners to assist Guinea-Bissau. This could include:

- Emergency financial support;
- Technical assistance;
- Capacity-building;
- Assistance for the preparations for the 2003 and 2004 elections;
- Other forms of development assistance.

III. Supporting arrangements

5. The following is proposed as a mechanism to strengthen the efficient management of development assistance:

- A high-level national steering committee;

- A supporting operational committee composed of representatives of Government, the United Nations system and principal donors;
- A round-table conference between the Government and its development partners.

6. Given the need to urgently address the acute current financial crisis, it is suggested that Government and the donor community agree on specific measures and mechanisms to ensure mobilization and efficient use of the required financial resources.

7. If these proposals are found to be acceptable, the Economic and Social Council Ad Hoc Advisory Group on Guinea-Bissau could be helpful in mobilizing additional support.

13 November 2002

Annex III

Net official development assistance to Guinea-Bissau, 1996-2000*

(Millions of United States dollars)

	1996	1997	1998	1999	2000
Bilateral	**124.8**	**58.5**	**64.8**	**32.1**	**41.8**
Portugal	30.7	16.2	10.8	13.8	15.0
Netherlands	6.7	8.0	7.1	2.2	11.1
France	11.3	6.0	4.4	1.9	6.7
Sweden	6.3	5.5	9.2	5.5	2.5
Switzerland	1.4	1.0	5.6	1.3	2.5
Multilateral	**49.9**	**63.8**	**29.5**	**19.1**	**37.7**
European Union	13.7	25.9	9.1	16.3	17.4
World Bank	13.3	16.4	4.8	-0.6	10.7
(International Development Association)					
International Monetary Fund	1.9	5.1	2.6	-0.7	6.5
Total, including	**174.7**	**122.3**	**94.3**	**51.2**	**79.5**
Grants	90.0	90.7	78.4	52.6	62.3

Source: OECD Development Assistance Committee, Geographical Distribution of Financial Flows to Aid Recipients.

* Disbursements minus repayments. Official development assistance (ODA) is defined as grants and loans with at least 25 per cent grant element, provided by the Organisation for Economic Cooperation and Development and the Organization of Petroleum Exporting Countries member countries as well as multilateral agencies, and administered with the aim of promoting development and welfare in the recipient country. Loans from the International Monetary Fund, other than trust fund facilities, are excluded, as is aid from former Eastern bloc countries.

Annex IV

Expenditures on operational activities of the United Nations system in Guinea-Bissau, 1996-2001

(*Development grants*)

(Thousands of United States dollars)

	1996	*1997*	*1998*	*1999*	*2000*	*2001*
United Nations Development Programme	1 953	2 656	1 673	2 256	1 147	1 174
United Nations Development Programme-administrative funds	1 032	245	546	1 228	(264)	1 331
United Nations Population Fund	506	596	271	71	195	502
United Nations Children's Fund	1 785	2 515	2 572	1 864	2 300	1 444
World Food Programme	4 457	1 697	3 543	6 569	1 181	1 251
Specialized agencies						
Regular budgets	846	1 170	773	1 201	1 697	1 468
Extrabudgetary	522	636	295	1 009	1 184	1 602
Total development grants	**11 100**	**9 515**	**8 965**	**14 906**	**7 440**	**8 772**
Memo item						
Self-supporting expenditures	15	(4)	-	-	131	204

Source: Reports of the Secretary-General. Comprehensive statistical data on operational activities for development for 1996, 1997, 1998, 1999, 2000 and 2001 (preliminary), table B-2.

Annex V

Emergency Economic Management Fund

Objectives and coverage of the Emergency Economic Management Fund

The objective of the Trust Fund is to provide a vehicle for donors to pool resources and coordinate their support to the Emergency Economic Management Support Programme, which will be developed under the auspices of the Emergency Economic Management Fund.

Within the framework of the budget of the Government of Guinea-Bissau and the staff-monitored Programme of the International Monetary Fund (IMF), the Emergency Economic Management Fund will cover the following categories of eligible expenditure (components):

- Salaries of civil servants and other recurrent expenditures/costs in the government budget (running cost component);
- Technical assistance to key ministries, including the Ministry of Economy and Finance (technical assistance component);
- Cost of preparations for the upcoming legislative and presidential elections in Guinea-Bissau (elections component).

The running costs component will finance a part of the Government's recurrent budget, including expenditures on wages, benefits and other payments, including arrears, for government employees as well as operations and maintenance and interest payments. Financing of recurrent budget expenditures from the Emergency Economic Management Fund will be based on the macroeconomic framework and budget framework monitored and reviewed by IMF and the World Bank.

The second component of the Emergency Economic Management Fund is the provision of emergency technical assistance to the Ministry of Economy and Finance to strengthen the economic management capacities of the Ministry and to improve transparency and accountability in the budgetary processes.

The election component is an essential element of the political process and will be an important benchmark for the donors to be able to disburse funds to the Emergency Economic Management Fund. The legislative elections are scheduled for 2003, but the Government of Guinea-Bissau will need financial and technical assistance to be able to prepare for the elections and thus to ensure the smooth functioning of the Fund.

The Emergency Economic Management Fund will not fund expenditures related to the military, paramilitary or intelligence services or for weapons of any kind because of the nature of such expenditures.

Management of the Emergency Economic Management Fund

Fundamental requirements for good governance of the Emergency Economic Management Fund are set out below:

- Support for an emergency economic management programme, discussed and agreed with donors and reflected in a transparent, even if simple, budget;
- Close partnership of the key agencies;
- Separation between the policy/allocational aspects of the operations of, and the fiduciary/administrative responsibility for, the Fund;
- Full transparency and openness in the processes of the Fund.

Accordingly, the Fund will have the following three-tier governance structure:

(a) UNDP will be the administrator of the Trust Fund. In this capacity, UNDP will establish and maintain appropriate records and accounts to identify the contributions to the Trust Fund, the commitments to be financed out of the funds and the receipt and disbursement of funds. UNDP will also be responsible for supervising the performance of the Monitoring Agent, subject to the proviso set forth at the end of paragraph 8 (a) of the present annex;

(b) The Management Committee is composed of the Ministry of Finance and UNDP. The Management Committee will be responsible, inter alia, for resource allocation decisions with respect to the funds. In allocating funds, the Management Committee will be guided by the overall programme of expenditures and other relevant guidance to be provided to the Management Committee, on a monthly basis, by the Government of Guinea-Bissau. The Management Committee will, on a monthly basis, meet in Guinea-Bissau, or in such other place as the Management Committee may decide from time to time. The Management Committee will, on a monthly basis, prepare and submit to the Steering Committee a report that will describe in detail the operations of the Trust Fund, including the receipt and use of grant funds and the activities financed therefrom, together with minutes of the monthly meetings of the Management Committee. The Management Committee will act collectively and, to the extent practicable, make decisions by consensus;

(c) The Steering Committee composed of donor representatives will be responsible for reviewing the performance and providing strategic guidance to the Management Committee;

(d) The Steering Committee will, on a quarterly basis, meet in Guinea-Bissau, or in such place as the Committee may decide, to review progress in the implementation of activities financed under the Trust Fund.

Duration of the Emergency Economic Management Fund

Because government recurrent expenditures are normally financed by domestic revenue, the Emergency Economic Management Fund is intended to provide partial support for that purpose (through the running cost component) only during an initial period of six (6) months, which provides for a bridging period to the round-table process. This component would cease to operate after six months unless there are considerable delays in the round-table process or if there is strong interest in the donor community in continuing to fund activities under the Emergency Economic Management Fund beyond the first six months. The technical assistance component and the election component will have a duration of twelve (12) months to allow for sufficient time to have maximum impact.

Modalities of administration

UNDP will be the administrator of the Emergency Economic Management Fund. The Administrator will have the authority to deny any funding from the Emergency Economic Management Fund for any activity where, in its view, significant doubts arise as to whether funds concerned will be effectively utilized for the agreed purpose. The Administrator will regularly monitor the utilization of funds in each of the three components.

UNDP will be responsible for all disbursements, in conformity with its own regulations, rules and procedures, and in conformity with the allocations and decisions made the Management Committee and the broader priorities set in consultation with the Government of Guinea-Bissau and the donor community.

UNDP will engage the Monitoring Agent to monitor expenditures related to the activities financed under categories (1), (2) and (3). The Monitoring Agent will be selected and retained by UNDP on the basis of terms of reference/scope of work agreed by the Management Committee and UNDP. The responsibilities of the Monitoring Agent will include monitoring the procurement of goods, services and other items, screening and recommending UNDP's approval and payment, monitoring all expenditures financed by the funds.

The Monitoring Agent will report to UNDP. Subject to the approval of the Management Committee, UNDP will have the authority to change the terms of reference/scope of work of the Monitoring Agent and, where justified, to replace the Monitoring Agent with another firm or agency. UNDP will give advance notice to the Government of Guinea-Bissau, the Management Committee and the donors of changes to the terms of reference/scope of work of the Monitoring Agent. UNDP will perform ex-post evaluations of the activities undertaken by the Monitoring Agent, and will, upon completion of the activities financed under the Trust Fund, arrange for an independent review of the performance of the Monitoring Agent and report its findings to the donors.

The funds may be used by the Bank to: (a) pay the reasonable fees, travel and other reimbursable costs of the Monitoring Agent; and (b) pay the cost of goods, services and other items of expenditure in furtherance of the activities of the trust fund.

Administrative charges

UNDP, as Administrator of the Emergency Economic Management Fund, will strive for maximum efficiency and effectiveness in administering the Fund, while promoting sound financial management and accountability. To ensure that all required fiduciary and administrative cost elements are adequately funded, UNDP will apply the following administrative charges:

(a) The costs of the UNDP's monitoring agent (applicable only to the current cost component) will be paid on actual costs basis, from funds set aside when contributions are received. Previous experience with other operations suggests that the monitoring agent's cost will vary with the size of the Fund and could be in the range of 2 to 3 per cent if the Fund receives the substantial contributions (over $10 million) for the running cost component, possibly higher if the Emergency Economic Management Fund remains small;

(b) The preparation and administration costs related to activities of the executing agencies (including UNDP) will be included in the budgets of the project proposals and will be presented for consideration for funding via the Emergency Economic Management Fund. Generally, such costs would range from 3.5 to 10 per cent, depending on the executing agency;

(c) UNDP's cost as Administrator of the Emergency Economic Management Fund (additional to the cost in (a) and (b) above) will be 5 per cent and is considered a standard charge and approved by the UNDP Executive Board as such.

Since the cost under (a) and (b) are not additive to each other, the total administrative charges associated with the Emergency Economic Management Fund would thus be in the range of 7 to 8 per cent for the recurrent component and in the order of 8.5 per cent to 15 per cent for, respectively, the technical assistance component and the election component executed by other entities.

Given the limited administrative capacity of the Government of Guinea-Bissau, the dispersed nature of numerous recurrent cost payments and technical assistance activities and the need to ensure that all funds are used only for the purposes for which they are provided, such a range of administrative charges is deemed reasonable.

Monitoring and evaluation

A sound, independent monitoring and evaluation mechanism for the entire Fund is needed. This function will be organized by requiring UNDP to set aside resources for adequate external audits.

Reporting

Appropriate progress reports will be forwarded to the concerned donors on a monthly basis. These progress reports will be analytical in nature, including the status of intended outputs and present descriptions of difficulties, achievements and progress towards accomplishment of project objectives. UNDP shall provide financial reports on income and expenditure to donors of its contribution, in accordance with UNDP's financial regulations and rules. An annual financial statement shall be prepared for the Fund showing income and expenditures as of 31 December of every year and shall be submitted within six (6) months after.

A final report of the programme or project shall be submitted within three (3) months of termination of the Fund.

UNDP shall notify each concerned donor of planned programme or project evaluation missions, invite participation and/or share evaluation reports.